

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY
MENDON, MICHIGAN**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Mendon Downtown Development Authority	County St. Joseph
Audit Date 3/31/05	Opinion Date 7/15/05	Date Accountant Report Submitted to State: 9/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

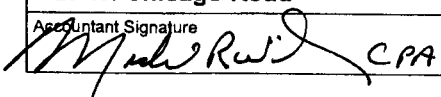
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.			
Street Address 127 W. Chicago Road		City Sturgis	State MI
		ZIP 49091	
Accountant Signature  CPA Michael R. Wilson			Date 9/28/05

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	9
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	10
Statement of Revenue, Expenditures, and Changes in Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13-22
Required Supplemental Information	
Budgetary Comparison Schedule:	
General Fund	23

N & P

INDEPENDENT AUDITOR'S REPORT

Authority Board
Mendon Downtown Development Authority

Norman & Paulsen, P.C.

Certified Public Accountants

127 W. Chicago Road

Sturgis, MI 49091

269.651.3228

Fax 269.651.5146

E-mail

normanpaulsen@charter.net

Other Location:

123 N. Main Street

Three Rivers, MI 49093

269.273.8641

Fax 269.278.8252

E-mail

npnr@npaccounting.com

We have audited the accompanying financial statements of the governmental activities and the major fund of the Mendon Downtown Development Authority, Michigan, (a component unit of the Village of Mendon) as of and for the year ended March 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mendon Downtown Development Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Mendon Downtown Development Authority, as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note 1 to the financial statements, the Mendon Downtown Development Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of April 1, 2004.

July 15, 2005

Norman & Paulson, P.C.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT' S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Mendon Downtown Development Authority financial performance provides an overview of the Authority's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

The Authority's overall financial position increased by \$4,867 during the fiscal year ended March 31, 2005, which represents .7 percent of the net asset position at the beginning of the year.

The Authority's Governmental Funds reflected a total fund balance at March 31, 2005 of \$553,583, which was a decrease of \$71,503 from the prior year end.

The total Governmental Fund expenditures for the year ended March 31, 2005, amounted to \$478,780, of which \$210,000 were funded from a Community Development Block Grant.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT' S DISCUSSION AND ANALYSIS

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

	Governmental Funds	
	2005	2004
Assets	\$ 736,102	\$ 636,051
Liabilities	<u>182,519</u>	<u>10,965</u>
Fund Balance - Unreserved	<u>\$ 553,583</u>	<u>\$ 625,086</u>

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

	Governmental Activities
Current and other assets	\$ 736,102
Capital assets	<u>51,188</u>
Total assets	787,290
Current and other liabilities	103,689
Net assets	
Invested in capital assets, net of related debt	51,188
Unrestricted	<u>632,413</u>
Total net assets	<u>\$ 683,601</u>

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT' S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

	Governmental Funds	
	2005	2004
Revenue		
Taxes - Village captured	\$ 83,887	\$ 75,499
Taxes - Other governmental units captured	103,809	92,260
Federal grant - CDBG	210,000	-
Interest	4,513	2,676
Other	5,068	-
Total revenue	407,277	170,435
Program expenses		
Economic development	478,780	78,328
Excess (deficiency)	\$ (71,503)	\$ 92,107

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

	Governmental Activities
Revenues	
Program revenues	
Operating grants	\$ 210,000
General revenues	
Captured property taxes	187,696
Unrestricted investment earnings	4,513
Miscellaneous	3,898
Total revenues	406,107
Expenses	
Economic development	401,240
Change in net assets	\$ 4,867

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT' S DISCUSSION AND ANALYSIS

The Authority' s Funds

Our analysis of the Authority's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detailed information about the significant funds, not the Authority as a whole. Major funds for the fiscal year ended March 31, 2005 include the General Fund. The General Fund pays for all of the Authority's economic development services and is funded primarily by captured property taxes.

General Fund Budgetary Highlights

As shown in the required supplemental information, the Authority budgeted a decrease of \$21,000 in the original budget and a decrease of \$148,110 in the amended budget. Actual operating results ended up as a decrease of \$71,503.

The original budget was amended to reflect an increase in projects expenditures.

Capital Assets and Debt Administration

During the year ended March 31, 2005, the Authority purchased a building and equipment for \$80,000 and sold the same for \$80,000 on a long-term installment agreement.

The Authority has no long-term debt obligations. During the year ended March 31, 2005, the Authority borrowed \$80,000 for the purchase of the above building and equipment and paid off the loan in May, 2005.

Contacting the Authority' s Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

MARCH 31, 2005

	<u>Primary Government</u>	<u>Governmental Activities</u>
ASSETS		
Cash and investments	\$ 469,837	
Receivables - net	187,435	
Receivables, long-term portion	78,830	
Capital assets - net	<u>51,188</u>	
Total assets	787,290	
LIABILITIES		
Accounts payable	25,133	
Note payable - current	<u>78,556</u>	
Total liabilities	<u>103,689</u>	
NET ASSETS		
Invested in capital assets, net of related debt	51,188	
Unrestricted	<u>632,413</u>	
Total net assets	<u>\$ 683,601</u>	

See accompanying notes to financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

			Net (Expense) Revenue and Changes in <u>Net Assets</u>
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government			
Governmental activities:			
Economic development	\$ <u>401,240</u>	\$ <u>210,000</u>	\$ (191,240)
General revenues:			
Captured property taxes			187,696
Unrestricted investment earnings			4,513
Miscellaneous			<u>3,898</u>
Total general revenues			<u>196,107</u>
CHANGE IN NET ASSETS			4,867
NET ASSETS - BEGINNING			<u>678,734</u>
NET ASSETS - ENDING			\$ <u>683,601</u>

See accompanying notes to the financial statements

FUND FINANCIAL STATEMENTS

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2005

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 469,837
Due from other governmental units	103,809
Grant receivable	83,626
Land contract receivable	<u>78,830</u>
Total assets	<u>\$ 736,102</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 25,133
Note payable	78,556
Deferred revenue - land contract	<u>78,830</u>
Total liabilities	182,519
FUND BALANCE	
Unreserved, undesignated	<u>553,583</u>
Total liabilities and fund balance	<u>\$ 736,102</u>

See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2005

Total governmental fund balances \$ 553,583

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

Governmental capital assets	\$ 60,858	
Less accumulated depreciation	<u>(9,670)</u>	51,188

Because the focus of governmental funds is on
short-term financing, some assets will not be
available to pay current expenditures. Those
assets are offset by deferred revenues in the
governmental funds and, therefore, not included
in fund balance.

Deferred land contract	<u>78,830</u>
------------------------	---------------

Net assets of governmental activities	<u>\$ 683,601</u>
---------------------------------------	-------------------

See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2005

	<u>General Fund</u>
REVENUES	
Taxes - Village captured	\$ 83,887
Taxes - Other governmental units captured	103,809
Federal grant - CDBG	210,000
Interest	4,513
Other	<u>5,068</u>
Total revenues	407,277
EXPENDITURES	
Economic development	
Contracted services	1,080
Professional services	15,507
Supplies	537
Promotions	1,664
Utilities	7,045
Repairs	2,020
Projects	446,043
Miscellaneous	<u>4,884</u>
Total expenditures	<u>478,780</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(71,503)
FUND BALANCE - BEGINNING	<u>625,086</u>
FUND BALANCE - ENDING	<u>\$ 553,583</u>

See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

Net change in fund balances - total governmental funds \$ (71,503)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	80,000
Depreciation expense	(2,460)

Revenues in the statement of activities that do not provide
current resources are not reported as revenues in the
funds, but rather are deferred to subsequent fiscal years.

Collections on land contract	<u>(1,170)</u>
------------------------------	----------------

Change in net assets of governmental activities	<u>\$ 4,867</u>
---	-----------------

See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mendon Downtown Development Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies establishing GAAP and used by the Authority are discussed below.

The Authority adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of April 1, 2004. Certain of the significant changes in GASB 34 include the following:

- * A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operation has been included with the financial statements.
- * Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Authority's activities have been provided.
- * Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$60,858 previously reported in the General Fixed Asset Account Group. In addition, the governmental activities column includes debt obligations totaling \$-0- previously reported in the General Long-Term Debt Account Group.
- * A change in the fund financial statements to focus on major funds.

The Authority also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the Authority's funds as of and for the year ended March 31, 2005, but did change some of the disclosures required for the notes to the financial statements.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity

The Mendon Downtown Development Authority was established in January 1986, in accordance with Michigan Act 198, 1975. The Authority operates a Board-Chairperson form of government and its basic purpose is to reestablish and maintain the vitality of business in the Village of Mendon.

The accompanying financial statements pertain to the financial activities of the Mendon Downtown Development Authority. These activities have also been presented with the financial statements of the Village of Mendon, Michigan, as a component unit.

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Authority as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Authority and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Authority.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Authority reports the following major funds:

General Fund - The general fund is the general operating fund of the Authority. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from captured property taxes from other governmental units.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the major category and fund type within that category:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers captured property taxes, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Authority:

General Fund - The general fund is the general operating fund of the Authority. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from captured property taxes from other governmental units.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The Authority adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- * On or about March 31, the Authority Board submits to the Village of Mendon Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted to obtain taxpayer comments.
- * On or about April 1, the budget is legally enacted through passage of resolution.
- * The Authority Board is authorized to transfer budgeted amounts within departments.
- * The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- * Appropriations for the general fund lapse at the end of the fiscal year.
- * Budgeted amounts are as originally adopted or as amended by the Authority Board.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government of federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15-40
Buildings and improvements	15-50
Machinery and equipment	5-20
Furniture and other	3-7

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 2 - CASH AND INVESTMENTS

The Authority uses financial institutions for cash and cash equivalent purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking and investment pool funds.

At March 31, 2005, the carrying amount of the Authority's deposits was \$469,837 and the bank balance was \$469,837. The differences between the balances are the result of checks issued by the Authority but not yet presented for payment. The risk exposure of all cash and cash equivalents at March 31, 2005, is as follows:

Insured	\$ 18,162
Uninsured	<u>-</u>
Total cash and cash equivalents	<u>\$ 18,162</u>

The Authority's remaining cash and cash equivalents at March 31, 2005, consists of an investment pool, the Government Cash Reserves Fund in the amount of \$451,675, which by definition, are not categorized by risk. The carrying values and market values are the same for these investments.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities include \$103,809 due from Mendon Township for captured taxes and \$83,626 due from the State of Michigan for Federal CDBG.

Accounts receivable in the governmental activities are reported net of an allowance for uncollectible accounts of -0-.

Receivables, long-term portion in the governmental activities is a land contract receivable collectible in monthly installments of \$652 including interest at 5.5% final installment due December, 2014.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2005, was as follows:

	As Amended Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 36,265	\$ -	\$ -	\$ 36,265
Capital assets, being depreciated:				
Land improvements	-	-	-	-
Buildings and improvements	-	75,000	75,000	-
Machinery and equipment	<u>24,593</u>	<u>5,000</u>	<u>5,000</u>	<u>24,593</u>
Subtotal	24,593	80,000	80,000	24,593
Accumulated depreciation				
Land improvements	-	-	-	-
Buildings and improvements	-	-	-	-
Machinery and equipment	<u>7,210</u>	<u>2,460</u>	<u>-</u>	<u>9,670</u>
Subtotal	<u>7,210</u>	<u>2,460</u>	<u>-</u>	<u>9,670</u>
Net capital assets being depreciated	<u>17,383</u>	<u>77,540</u>	<u>80,000</u>	<u>14,923</u>
Net capital assets	<u>\$ 53,648</u>	<u>\$ 77,540</u>	<u>\$ 80,000</u>	<u>\$ 51,188</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Economic
development \$ 2,460

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005**

NOTE 5 - SHORT-TERM DEBT

Following is a summary of short-term debt transactions for the year ended March 31, 2005:

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
Short-term note payable	\$ -	\$ 80,000	\$ 1,444	\$ 78,556

Short-term debt payable at March 31, 2005, consisted of the following individual issues:

Note payable to bank at interest rate of
5.5%, balance paid off on May 25, 2005 \$ 78,556

NOTE 6 - CAPTURED TAXES

Captured taxes represent the property taxes on the increment in taxable value of the downtown development district property since the adoption of the development plan. These taxes are earmarked for purposes consistent with the development plan.

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Authority management and adopted by the Authority Board; subsequent amendments are approved by the Authority Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Authority were adopted on a fund level basis.

During the year ended March 31, 2005, the Authority incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES				
Taxes - Village captured	\$ 65,000	\$ 83,890	\$ 83,887	\$ (3)
Taxes - other governmental units captured	78,000	92,000	103,809	11,809
Federal grant - CDBG	210,000	210,000	210,000	-
Interest	3,000	3,000	4,513	1,513
Other	<u>-</u>	<u>125</u>	<u>5,068</u>	<u>4,943</u>
Total revenues	356,000	389,015	407,277	18,262
EXPENDITURES				
Economic development				
Contracted services	1,200	1,200	1,080	120
Professional services	4,800	4,800	15,507	(10,707)
Supplies	1,000	1,000	537	463
Promotions	5,250	5,250	1,664	3,586
Utilities	6,500	6,500	7,045	(545)
Repairs	5,100	5,100	2,020	3,080
Projects	350,000	510,125	446,043	64,082
Miscellaneous	<u>3,150</u>	<u>3,150</u>	<u>4,884</u>	<u>(1,734)</u>
Total expenditures	<u>377,000</u>	<u>537,125</u>	<u>478,780</u>	<u>58,345</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,000)	(148,110)	(71,503)	76,607
FUND BALANCE - BEGINNING	<u>625,086</u>	<u>625,086</u>	<u>625,086</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 604,086</u>	<u>\$ 476,976</u>	<u>\$ 553,583</u>	<u>\$ 76,607</u>